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Chairman: Ms. Wensley ..... (Australia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 3.10 p.m.

Agenda item 122: Improving the financial situation of the United Nations (*continued*)

1. **Mr. Shobokshi** (Saudi Arabia) said that his delegation supported the statement made on behalf of the Group of 77 and China. He was extremely concerned about the financial difficulties which the Organization had suffered for the last few years. The fact that some Member States had not paid their assessed contributions to the Organization or their contributions to peacekeeping operations was one of the primary causes of those economic problems. He disagreed with the idea of changing the scale of assessments previously agreed upon; undoubtedly, the solution was for countries to pay their arrears. Accordingly, he called upon all Member States to pay, on time and without conditions, the assessments agreed upon by the General Assembly, since that was a sure way of ending the severe financial crisis and ensuring that the Organization could continue to carry out its work in the political and economic fields, combat poverty and maintain international peace and security.

2. **Mr. Sharma** (India) said that his delegation associated itself with the statement made by the representative of Guyana on behalf of the Group of 77 and China with respect to the grim financial situation of the United Nations. For over a decade, the United Nations had been in the grip of a worsening financial crisis, even as Member States had given it mandates that were crucial for global peace and development. The crisis prevented the Organization from devoting the necessary resources to development programmes and from adequately financing peacekeeping activities. India had always emphasized that, as long as Member States failed to honour their obligation to pay their assessments in full and on time and to take prompt action to arrange a schedule for the payment of their arrears, the Organization could not undertake proper financial planning. Although economic underdevelopment, political change and transition and temporary financial problems, for different reasons, continued to hamper the ability of some countries to pay, those understandable problems were not the cause of the crisis faced by the Organization.

3. The fact that the United Nations had not yet been able to pay India and other Member States the reimbursements owed for troops and contingent-owned equipment was particularly problematic for developing countries, which were major troop contributors to the various peacekeeping operations. Unless arrears were paid, particularly by the largest contributor, there was little hope that those debts could be settled. In that connection, India welcomed the statement made previously by the representative of the United States of America.

4. The discussions which the High-level Open-ended Working Group on the Financial Situation of the United Nations had held on the overall reform of the system for financing the Organization's activities had not produced results. More than ever before, it was imperative to reach a consensus on practical measures for addressing the crisis. He was concerned to note that the report of the Secretary-General on improving the financial situation of the United Nations, issued in June 1999, indicated that the Organization's debt to Member States had become resistant to change and that the need to cross-borrow from peacekeeping funds to cover the regular-budget deficit persisted. That practice, which was financially imprudent, raised two issues: the question of what would happen when peacekeeping funds were exhausted, and the question of whether the increase in the peacekeeping budget as a result of new operations would lead to further fiscal imprudence.

5. Clearly, there was a collective awareness that, if the United Nations was to be a leading player on the world scene, it must be given the means to perform that function. The reasons were self-evident, and there was no need to look for other causes of the Organization's serious crisis; instead, efforts must focus immediately on helping the Organization to emerge from that crisis.

6. India had repeatedly reiterated its commitment to collaborating in the reform of the United Nations, including financial reform. Any solution adopted by consensus would require that all Member States should pledge to pay their assessed contributions in full and on time and that those in arrears should immediately announce a schedule for settlement.

7. It should be borne in mind that the funding of operational activities and of humanitarian assistance to areas of crisis that did not attract the attention of the media was in an equally serious situation. Despite pledges of new and additional resources, the level of resources earmarked for development had declined. Member States had been unable to agree on a funding system that would substantially increase resources on a predictable, continued and secure basis.

8. The United Nations had implemented reforms in all areas of its work on the theory that a more efficient Organization would attract more funding. The Secretariat had done its part, but not all Member States had responded. Although voluntary contributions had declined, assessed contributions, at least, must be honoured.

9. India, which had always paid its contributions in full and on time and to which the United Nations owed millions of dollars, was firmly convinced that all questions pertaining to the apportionment of expenses and the scales of assessments would be best discussed after the current financial crisis had been overcome. The international community should be assured that the crisis had not been caused by a lack of political will to bear the responsibilities which all Member States had freely accepted under the Charter.

10. **Mr. Kumalo** (South Africa), speaking on behalf of the Movement of Non-Aligned Countries, said that South Africa associated itself with the statement made by the Group of 77 and China. At the Eleventh Conference of Heads of State or Government of the Movement of Non-Aligned Countries, which had been held in Durban from 2 to 3 September 1998, the Movement had expressed its concern at the deteriorating financial situation of the United Nations and had reiterated that the primary cause of the crisis continued to be the failure of some Member States to pay in full, on time and without conditions their assessed contributions to the regular and peacekeeping budgets.

11. The Movement of Non-Aligned Countries called upon all countries in arrears to settle their outstanding dues without delay and without conditions. It was not a matter of dispute that the United States of America was in arrears; its representative had admitted that fact in his recent statement. However, it would be erroneous to leave an impression that the United Nations was in financial trouble only because of the failure of the United States to pay its contributions. While more than half of the over $2 billion in arrears to the Organization was owed by the United States, many other Member States also owed the United Nations. The Movement of Non-Aligned Countries supported the principle that all Member States must pay their arrears in full, without delay and without conditions.

12. The Movement of Non-Aligned Countries was concerned at the continued cross-borrowing from the peacekeeping to the regular budget, which resulted in delays in reimbursements to countries that provided troops and contingent-owned equipment, especially Non-Aligned and other developing countries. The Movement of Non-Aligned Countries urged all Member States to fulfil their obligations under the Charter in order to put an end to that exceptional practice.

13. The Movement of Non-Aligned Countries wished to reiterate that the expenses of peacekeeping operations were United Nations expenses which must be borne by Member States in accordance with the relevant provisions of the Charter and with the existing special scale of assessments established by the General Assembly in its resolutions 1874 (S-IV) of 27 June 1963 and 3101 (XXVIII) of 11 December 1973, which took into account the special responsibility of the five permanent members of the Security Council as well as other economic considerations.

14. The ideals outlined by the Secretary-General in his report on the work of the Organization (A/54/1) could not be effectively addressed owing to the failure of certain Member States to pay their assessed contributions. As the Chairman of the Movement of Non-Aligned Countries, President Mbeki, had stated during the general debate, the matter turned on the will of the political leaders to summon the moral and intellectual courage to do what was correct and necessary and to match their beliefs with action.

15. **Ms. Incera** (Costa Rica) said that, in general terms, Costa Rica associated itself with the statement made by Guyana on behalf of the Group of 77 and China. There was no doubt that the only real solution to the Organization's extremely serious financial situation was the payment by all Member States, in particular the largest contributor, of assessed contributions in full, on time and without conditions, which was an inescapable legal obligation imposed by the Charter. For its part, Costa Rica was making strenuous efforts to fulfil its obligations to the best of its ability.

16. It was both possible and advisable to seek other ways of resolving the financial crisis, although such solutions might be mere temporary palliatives for the difficulties which the Organization faced. Costa Rica was firmly opposed to any reduction in the scale of assessments, which should reflect the real capacity to pay of Member States and their commitment or lack of

commitment to the Organization. The scale was neither the cause of the crisis nor an aggravating factor. The real cause of the crisis was the failure of Member States to pay their assessments.

17. Moreover, instead of being modified, the special scale should be consolidated and permanently adopted so that it lost its special nature. Lastly, the delegation of Costa Rica wished to express its unease at the politicization of agenda item 122, whose consideration should take account of the eminently technical and financial character of the item.

18. **Mr. Takahara** (Japan) said that his delegation was pleased to note that, despite the domestic budgetary problems of some Member States, an increasing number of them were paying their contributions to the regular budget in full by the end of September of each year. Nevertheless, the Organization's debt had reached the unacceptably high level of US$2.5 billion and its financial basis, which continued to be precarious, was being sustained by delaying reimbursements to troop-contributor countries, many of them developing countries. A major contributor, which owed two thirds of the total arrears, had special responsibilities to improve the situation. The delegation of Japan fully appreciated the rationale behind the Secretary-General's appeal for financial flexibility to manage the Organization. At the same time, it wished to emphasize that the Governments of Member States had to be fully accountable to their taxpayers for their financial dues to the United Nations.

19. The delegation of Japan took note of the suggestions made by the Secretary-General to address the financial crisis, including retention of the budgetary surplus and increasing the level of the reserve fund. It was his delegation's strong conviction that the Organization's financial difficulties could be resolved only if all Member States paid their assessed contributions in full, on time and without conditions.

20. Despite its severe economic and financial difficulties, Japan had fulfilled its obligation to pay its assessed contributions and was willing to do so in the future. The financing of United Nations activities was the collective responsibility of Member States. In that connection, Japan was concerned at the recent tendency to finance from voluntary contributions programmes that were mandated by the General Assembly or Security Council.

21. **Mr. Lee See-Young** (Republic of Korea) said that over the past few years, his delegation had reiterated its deep concern over the critical financial situation of the United Nations. Regrettably, that situation remained unchanged. His delegation noted with apprehension that there were no signs that the fundamental aspects of the Organization's chronic financial problem would be resolved. The late or non-payment of assessments was undermining the financial stability of the United Nations. The total arrears for the regular budget, peacekeeping and tribunal budgets amounted to $2.5 billion, more than 60 per cent of which was owed by the major contributor. Moreover, the huge cash deficits persisted in the current year.

22. His delegation also regretted the continuing practice of cross-borrowing from the peacekeeping account to finance regular budget activities. That practice was not only financially imprudent, but was particularly detrimental to troop and equipment contributors, that were already suffering from delays in reimbursements. Moreover, that practice was not viable for long-term cash management because of the unpredictable nature of peacekeeping activities. If that worrisome situation was allowed to continue confidence would be lost in the relevance and effectiveness of the Organization at a time when it was being called upon to assume more responsibilities in meeting the challenges of a rapidly evolving international environment.

23. The persistent financial difficulties had already adversely affected the implementation of a number of mandated programmes and activities. They had also seriously hampered the reform initiatives of the Secretary-General designed to make the Organization more efficient. They also deprived the United Nations of the financial flexibility needed to effectively fund, in a timely manner, new peacekeeping missions such as the United Nations Interim Administration Mission in Kosovo (UNMIK).

24. It was regrettable that the prolonged discussions in the High-Level Open-Ended Working Group and other forums on the financial situation of the United Nations had failed to produce tangible results. However, since the late or non-payment of assessments was the primary cause of the current financial crisis, no lasting solution would be found unless the Member States in arrears paid up. A sound financial basis for the Organization required political will on the part of Member States to comply with their obligations under

the Charter in full, on time and without conditions. He looked forward to a positive development in the situation, as envisaged by the main contributor.

25. The Republic of Korea remained fully committed to improving the Organization's financial situation and had consistently met its financial obligations in full and in a timely manner. The current financial situation called for urgent and concerted efforts by Member States. His delegation was always open to constructive proposals in order to expedite the payment of arrears. It would continue to cooperate with the collective efforts to find a solution to the chronic financial problems that the United Nations was now facing.

26. **Mr. Rosenthal** (Guatemala) said that his delegation associated itself with the remarks of the representative of Guyana, who had spoken on behalf of the Group of 77 and China. His delegation was committed to participating actively in the work of the Committee insofar as items absolutely critical to the Organization were concerned. States Members of the United Nations conferred on the Organization certain duties and responsibilities, while they assumed obligations to maintain the Organization and participate actively in its work. It was normal for there to be a close relationship between the fulfilment of the undertakings entered into by governments and their degree of satisfaction with the functioning of the Organization. Therefore, the situation could either lead to a virtuous circle or to a vicious circle. However, the United Nations was in an anomalous situation; despite the fact that governments professed to being at least reasonably satisfied with the benefits derived from the Organization, some of them failed to fulfil their financial obligations rigorously. In those circumstances, the Organization tried to function with greater efficiency and selectivity; even as it did so, it incurred the risk of becoming weaker and of lapsing into the vicious circle syndrome.

27. States that were in arrears definitely needed to pay up without delay and without conditions, but the other States Members, as well as the Secretariat itself, should also contribute towards improving the situation. Member States could not continue to assign new responsibilities to the United Nations without providing it with the means for carrying them out. In a similar vein, they could not demand a restructuring of the Secretariat without allowing it to terminate contracts and to recruit staff on the sole basis of merit. The practice of abolishing posts upon the retirement of the incumbents, applied to an excessive degree by the Secretariat in the last few years, was detrimental to the principles of excellence and efficiency that should guide the work of the Organization.

28. Improving the Organization's financial situation required political commitment, the timely payment of contributions, good management, efficiency and efficacy, which was not a synonym for reducing expenses.

29. His delegation hoped that the long-awaited clearance of its arrears by the main contributor to the budget would contribute to the generation of other initiatives which would enable the Organization to return to a virtuous circle with respect to budgetary and financial management.

30. **The Chairman** said that the high turnout and the large number of statements made during the meeting reflected the importance delegations attached to the item. The Secretary-General and the Under-Secretary-General for Management had provided a clear and sincere explanation of the Organization's financial situation. It was to be hoped that their statements, together with those of other speakers, would provide a certain strategic direction to the remaining discussions of the Committee. Members of the Committee should ponder over the material presented thus far. She suggested that the Committee should resume its consideration of the item at a later stage of its deliberations following appropriate consultations with the Bureau. If she heard no objections, she would take it that the Committee wished to adopt that proposal.

31. *It was so decided.*

Agenda Item 129: Financing of the United Nations Angola Verification Mission and the United Nations Observer Mission in Angola (*continued*)

32. **Ms. Izata** (Angola) said that her delegation was fully aware of the difficulties that the Observer Mission had encountered in trying to fulfil its mandate. However, cooperation and understanding with the beneficiary country would undoubtedly pave the way for a better commitment and would help to avoid further misunderstandings such as the one referred to in the report of the Secretary-General (A/53/1018).

33. Referring to paragraph 57 of the status of forces agreement on the United Nations peacekeeping operations in Angola signed between the United

Nations and Angola, she said that the relevant bodies in her country were currently considering the allegations on debt contained in paragraphs 18 and 24 of the Secretary-General's report and would, in due course, put forward a set of proposals that would help to find a solution which was satisfactory for both parties.

34. Her delegation unconditionally supported the next United Nations Observer Mission in Angola and trusted that, although its mandate might greatly differ from that of UNAVEM III and MONUA, the Mission would endeavour to carry out its mandate.

35. **The Chairman** said that, if she heard no objections, she would take it that the Committee had concluded its consideration of agenda item 129.

36. *It was so decided.*

Agenda item 130: Financing of the activities arising from Security Council resolution 687 (1991)
(*continued*)

37. **The Chairman** said that, if she heard no objections, she would take it that the Committee had concluded the general debate on agenda item 130.

38. *It was so decided.*

The meeting rose at 4 p.m.